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Economic Forecasting Center

Georgia State University, College of Business Administration, November 1987
Dr. Donald Ratajczak, Director

ECONOMIC FORECASTING CENTER

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SLOW GROWTH IN GEORGIA DURING NEXT TWO YEARS

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Summary

Employment growth in Georgia rebounded only modestly in the summer months from a second quarter seasonally adjusted dip. Construction continued to weaken while transportation and trade remained at a standstill. Services also slowed temporarily but government payrolls continued to expand. Personal income gains slowed sharply, but remained marginally stronger than in the U.S., as a result of a substantial rebound in farm income. However, nonfarm personal income slowed from an annualized 10.0% in the first quarter to only 3.0% in the spring as compared with a more modest slowing from 6.4% in the winter to 5.5% in spring for the entire U.S.

The weakness in construction and slowing in retail trade should now be combined with a period of softness in the financial sector to cause a relatively sluggish 1.8% gain in Georgia employment during 1988. A slight rebound in construction along with significant improvement in nondurable manufacturing should increase employment growth to 2.0% in 1989.

Sluggish employment gains are reflected in Georgia's personal income. Nonfarm personal income is now expected to increase only 6.5% in 1987 and slow to a 5.9% rate of increase in 1988 before beginning a modest rebound to a 7.1% gain in 1989.

According to the latest coincident indicators, gross state product in Georgia appears to have advanced 3.9% in 1987. This compares with an increase of 2.8% for the United States. In 1988, however, gross state product is projected to increase 2.5%. This still compares favorably with 1.7% gains expected nationwide. A slight acceleration to a 2.9% increase in gross state product is currently anticipated for 1989. This compares with an estimated 1.1% increase in the U.S. estimate of gross national product.

Recent Conditions

Following a disappointing second quarter, when economic activity in Georgia declined slightly, employment gains were only marginal during the summer. Construction continued to weaken, although the rate of decline slowed sharply. Transportation and communications remained unchanged, but activity began rebounding in September. Trade remained weak, as a sharp decline in wholesale trade was not completely reversed by a slight rebound in retail activity. The service sector also showed summer weakness, although some of this may be the result of faulty reporting. Government payrolls expanded as increased social services required increased local government employment. Seasonal estimates

showed an increase in payrolls at an annual rate of only 0.2% during the summer. This compares with a gain of 1.2% at annual rates for U.S. payrolls. Clearly, gains in Georgia personal income during the summer should trail U.S. performance.

According to data released for the second quarter, nonfarm personal income in Georgia grew more slowly than in the United States, as expected. Following a winter when Georgia's personal income expanded at a 10% annual rate, nonfarm personal income slowed to only a 3% annual gain in the spring. Fortunately, a surge in farm income as a result of continued favorable pricing in the poultry industry helped total personal income in Georgia. However, poultry income is now declining as a result of price weakness. Thus, farm income probably will slow relative to the nation for the remainder of this year.

Much of the weakness in Georgia personal income was caused by a dramatic drop in construction earnings and a much sharper slowing in earnings in trade and the services sector than in the U.S. For example, earnings in construction fell at an annual rate of 13.5% in Georgia while growing 4.7% in the U.S. Partially offsetting weakness in trade, services, and construction, were stronger manufacturing earnings in Georgia both for durable and nondurable goods. In addition, the transportation sector showed stronger earnings growth than in the nation. Also aiding Georgia personal income was stronger growth in property income and in transfer payments than in the nation.

In September, the weakness in construction and trade continued, although services employment showed some renewed vigor. On the other hand, manufacturing slowed in the latest reporting month, especially for nondurables. Much of the weakness was in food processing, textiles, and apparel. However, further dollar weakness should create strong employment growth in the textiles industry for the remainder of 1987 and into 1988. Employment declines in apparel also are expected to be reversed early next year.

Georgia's coincident indicators were positive in the summer months, but the index was only up 0.4% from the previous quarter. This suggests that gross state product increased about 2.6% in the quarter, or more than a percentage point behind the 3.8% gain recorded nationwide. Especially troubling was the decline in the index of hours worked in September, although this may reflect Labor Day survey problems that developed in the national estimates of labor activity. If so, estimates of third quarter gross state product could be too low. Bank deposits and the insured unemployment rate both contributed significantly to advances in the coincident indicators. However, the value of unemployment claims was a decreasing positive factor as the quarter progressed. The corporate sector showed minimal change while the farm sector showed significant weakness. Much of the weakness in agriculture probably is related to reduced profitability in the poultry industry.

The leading indicators performed more strongly than the coincident indicators during the summer months, suggesting that economic activity may rebound in the fall. However, this assessment was prior to uncertainty created by October's stock market crash. Indeed, the leading indicators grew twice as fast as the coincident indicators, suggesting that the potential for increased economic activity was significant. Tax revenues provided most evidence of increasing potential although consumer activity also was strong in the summer months. The latter may reflect the positive influence from automobile incentives, however. Weakness began to materialize in September for

nonresidential construction contracts while initial unemployment claims also contributed negatively. While the stock market crash clearly will have some delaying effects upon construction projects and may also slow hiring activity, its impact upon the Georgia economy is not expected to be dramatic. Some decline in consumer activity also might materialize. However, with the indicators suggesting strengthening activity ahead, the economic impact of the stock market crash probably will be to eliminate the improvement that otherwise would have developed.

During the summer months, sales in the South Atlantic states began to improve relative to the nation. For the first eight months, total retail sales in this region were up 6.1% as compared to a 4.8% gain nationwide. The Atlanta estimates of sales remain sharply below previous year levels, showing a dramatic but improving 8.3% decline. Nondurables again accounted for most of this weakness, probably as a result of reduced gasoline prices. Department store sales slipped slightly but remained more than 7% above previous year levels. Taxable sales in Georgia during the second quarter were up only 4.2% from the previous year. Adjusted for service purchases, this suggests that total consumer activity grew less than 6%. This is a percentage point less than estimated gains in disposable income, suggesting that Georgians continued to increase their savings rates by a full percentage point even as savings rates nationwide were declining by more than a percentage point.

Despite the slowing in employment opportunities, measured unemployment in the state continued to fall. The Georgia unemployment rate in September was 5.0%, 0.6 percentage points below the previous year. Unemployment improved more slowly in Georgia than in the U.S. while most of a September improvement appeared to be the result of a slowing in the labor force, suggesting reduced population flows. Athens remained a low unemployment area showing a 0.7 percentage point improvement to 4.1% over the previous year. Atlanta's unemployment rate remained at 4.4%, only marginally below previous year levels. Macon also registered an unemployment rate below 5%, with a 1.1 percentage point improvement to 4.7%. However, the household surveys show that this improvement was solely the result of a labor force declining even more rapidly than employment. Unemployment in Augusta also was aided by a declining labor force, with the unemployment rate falling 1.1 percentage points to 5.1%. Savannah had an unemployment rate of 5.5%, down modestly from 6.1% of the previous year. Unemployment in Columbus improved more than a percentage point over the past year to 5.7%, but much of this was the result of reduced growth in the labor force. Finally, Albany appears to be gradually digging out of its employment difficulties. Employment advanced marginally from a year ago while the labor force fell sharply. As a result, the unemployment rate fell from 11.9% to 8.2%. The household surveys, which previously showed much greater employment gains than the payroll surveys, have significantly reversed direction as reported employment gains now are less than 6000 for the state, far below estimates of payroll gains. However, estimates that the labor force has actually declined in Georgia should not be taken too seriously.

Nationwide, the insured unemployment rate fell significantly to only 2.1% in the most recent weeks. This is lower than the insured unemployment rate has reached at any time since the especially long economic expansion in the 1960s. In Georgia, the insured unemployment rate fell further to 1.4% in September while the Atlanta rate remained below 1.2%. These figures strongly suggest that full utilization of the experienced work force is approaching and that further economic expansion could begin to generate increased wage pressures.

The stock market collapse caused a significant change in portfolio investment toward bonds and away from stocks. As a result, mortgage rates have fallen dramatically since October 19. Prior to the crash, the effective interest rate nationwide was 10.26%, slightly below the 10.47% of the previous year. In Atlanta, the effective rate had already fallen significantly to only 9.05% from 9.96% a year ago. This discrepancy in effective mortgages reflects a more competitive lending environment in Atlanta and a slowing in housing activity. The average financed home nationwide cost $122,700, up $8600 from the previous year. The purchase price of financed homes in Atlanta rose to $149,400 up $14,800 from the previous year. Clearly, with loan activity slowing, this significant rise in housing prices cannot be sustained. Because of the stock market decline, effective mortgage rates nationwide should fall by nearly a percentage point. Because rates already are relatively low in Atlanta, they should remain near 9% through 1988 before rising marginally in 1989.

Revenue collections in Georgia suggest a stronger economy than the preliminary employment data. Revenue gains were up a surprisingly strong 9.1% in the summer from that quarter of the previous year. This compares with year-over-year gains of 6.9%, 10.0%, 6.4% and 5.9% in previous quarters. Revenue gains in September remained at a satisfactory 10% increase from the previous year. When the effects of the stock market crash are compared against indicator signs of increasing economic activity, revenues in the next fiscal year should be up approximately 7.5%. In the fiscal year following that, with inflation remaining only slightly above 4% and employment growing 2%, revenue growth will be slightly less than 7%.

Sales tax collections rebounded by a satisfactory 9.7% as automobile incentives swelled tax collections. This was significantly better than in previous quarters when gains of 5.1%, 5.4%, 2.5%, 3.0%, and 7.2% were recorded. All other state and local governments saw their sales tax collections grow 7.4%. In previous quarter, collections for all state and local governments grew 7.6%, 8.5%, 7.6%, 7.6%, and 5.7%. Personal income tax collections rebounded in Georgia to an 11.0% gain in the third quarter. This compared with gains of 9.6%, 12.2%, 8.0%, 8.9%, and 12.4% in previous quarters. These increases were better than for all state and local governments, where personal income tax collections increased 6.8%. In previous quarters, tax collections were up a surprisingly strong 13.1% to reflect one-time capital gains and then increased a smaller 5.8%, 6.9%, 6.7%, and 3.9% in previous quarters. The relative absence of capital gains in Georgia's tax collections is surprising. The corporate sector in Georgia lagged behind with tax increases of only 4.9%. While this was better than 2.9% recorded in the previous quarter, it trailed sharp gains of 26.3%, 21.2%, and 7.5% in previous quarters. However, corporate tax collections were down a surprising 5.5% nationwide according to our estimates for the third quarter. This was an improvement from a decline of 9.5% in the previous quarter. Nevertheless, tax collections showed sharp gains of 28.5%, 14.6%, 5.8%, and 10.5% in previous quarters. In effect, Georgia tax collections during the third quarter reverted to their normal more rapid rates of growth than the nation following the second quarter, when all components of revenue in Georgia sharply trailed national conditions. The discrepancy between continued slowing in employment and improvement in tax collections is puzzling. For that reason, the relatively sluggish reading for employment opportunities in Georgia may actually be understated.

Summary of Outlook

Construction slowed sharply in the second quarter. In 1988, construction will continue declining, causing a significant drag upon the Georgia economy. Construction-related manufacturing materials also are expected to weaken next year. In addition, a forecast of relatively sluggish national economic activity should continue to exert downward pressures upon the metals. Fortunately, weakness in some of the durable goods industries will be offset by moderate gains in machinery and transportation equipment and some significant gains in most of the nondurables except apparel. Actually, the apparel industry is no longer trending downward, but sharp declines early in 1987 have not yet been reversed. This is the reason for a slight reduction in activity for 1988. Some significant slowing also is expected in wholesale trade following unsustainably rapid rates of expansion in 1987. Retail employment, whose 4.4% employment gain exceeds the 4% inflation adjusted gain in retail trade, will need to slow slightly in 1988 to remove moderate imbalances. Weakness in real estate and turmoil in the financial services industry will have an impact upon the finance group. Finally, the service sector is slowing significantly, with business services revealing no significant growth after seasonal adjustment. While reasonable employment opportunities will surface for nondurable manufacturing and gains also are expected in the transportation and utilities sector, widespread slowing in employment gains and employment weakness in construction and construction-related manufacturing should slow growth in payrolls to less than 2%. Nevertheless, some employment growth is anticipated.

In 1989, the adjustment in construction will be coming to an end. However, a significant decline in employment at Lockheed-Georgia will more than offset moderate employment gains for other durable manufacturers. In addition, relatively sluggish employment gains for trade will more than offset a rebound in the financial services sector. Overall, employment gains in 1989 will be only marginally greater than gains in 1988. As a result, the unemployment rate in Georgia should climb to an average of 6.1% by 1989.

As a result of reduced employment prospects in construction and finance that are not fully offset by expanding industrial opportunities, job gains in Georgia will be 77,500 in 1987 as compared to 80,300 previously anticipated. In 1988, job creation will be held to 48,200, a significant slowing from the 65,800 job gains previously anticipated. Some recovery is expected in 1989, when job gains are expected to total 57,800.

Weakness in employment opportunities is clearly apparent in personal income projections for the next two years. As poultry prices decline, overall farm incomes are expected to slump in 1988 before rebounding in 1989. Weakness in construction is readily apparent from the decline in construction earnings both in 1987 and 1988. A rebound is expected in 1989. No other sectors are expected to show declines in income generation, but increases in the finance and service sectors are expected to slow sharply. In addition, earnings growth should be subdued in the trade sector both in 1988 and 1989. Manufacturing earnings are expected to accelerate, especially in nondurables. This is largely the result of displacing foreign suppliers. Government payrolls are expected to show the same expansion in the next two years as they have exhibited in the previous two years.

More sluggish economic activity nationwide will reduce gains generated in property income. Many savers will not receive the same interest yields in 1988 as they received in 1987. Interest rates, however, should stabilize in 1989. Some increase in the unemployment rate will be reflected in higher benefits for unemployment insurance in both years. After adjustment for inflation, real disposable income in 1988 will increase less than 3%. Assuming further increases in savings, this is broadly consistent with estimates of retail trade employment.

On balance, the Georgia economy will reflect many of the national pressures. Consumer activity and construction activity both will be trending downward in 1988 and only gradually recover in 1989. However, part of this weakness is offset by improving manufacturing opportunities, at least in those manufacturing areas not heavily dependent upon construction activity. At the present time, no recession is forecast for Georgia, but significant slowing from the previously rapid rate of economic expansion is likely. On the other hand, some imbalances that have developed in the trade and construction areas need to be removed.

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CONSTRUCTION FLATTENS THE BOOM IN ATLANTA

Recent Conditions and Outlook

Employment opportunities continue to weaken in Atlanta according to seasonally adjusted payroll employment estimates. Contract construction fell sharply in the third quarter and continued to fall in September. Durable manufacturing employment also showed modest weakness, largely as a result of significant slowing in the stone, clay group, in primary metals, and in transportation equipment. However, the end of model changeovers at a General Motors plant should cause transportation equipment to rebound in the fourth quarter and in most of 1988. Then, Lockheed-Georgia reductions should begin to reduce transportation employment late in 1988.

Employment also weakened for wholesale trade and showed surprisingly little growth in the services sector. Much of the weakness in services appears to be caused by reductions in the use of temporaries, which are included in the business service sector. Government payrolls also declined sharply, but as the decline was in local payrolls, this may merely reflect a shift in seasonal patterns for educational personnel.

Payrolls increased for food processing and textiles. Gains also were recorded for paper and printing. The chemicals industry rebounded following sluggishness during the spring. Employment also is gaining in the transportation sector and continues to show significant growth potential in the finance and insurance sectors. However, the real estate sector has begun to soften. The stock market crash may have some slowing effects upon financial services, especially as some brokerage houses cut overhead costs. However, most brokerage activities in Atlanta are branch offices, which increased their profitability from the increased volume of trading in recent weeks.

The weakness in construction appears to be widespread. Office construction is down significantly as only 6.6 million square feet are under construction at the present time, down from 9.6 million square feet a year ago. As absorption rates are only slightly above current activity, further reductions are anticipated in office construction to the vicinity of 4 million square feet in 1988. Some rebound from that relatively depressed level of activity is expected in 1989.

The sluggish pattern of employment appears to be inconsistent with continued high absorption levels for offices. The discrepancy may be explained by heavy leasing activity, especially by accounting and legal firms that have outgrown their previous space. These partnerships are committing to new space, which is being counted as leased, even as they continue to remain in their previous quarters. As a result, the amount of new leased space currently exceeds the amount of newly occupied space. In the next two years, however, a closer correspondence between space needs and employment growth will reappear.

According to the latest Coldwell Banker survey, office vacancy rates increased marginally nationwide to 20.9% while decreasing marginally to 17.8% in Atlanta. In this total, Atlanta's downtown vacancies increased slightly to 10.4% but remained dramatically below 16.2% nationwide. Atlanta's suburban vacancies decreased slightly to 19.3%, which was below 23.0% vacancies nationwide. However, high lease rates appear to be the result of increased commitments by existing tenants in Atlanta and may be overstating the total amount of occupied space at the present time.

Industrial vacancies increased in Atlanta from 5.0% to 5.4%. This still remained below 5.8% nationwide. However, national indices were decreasing while the index was increasing in Atlanta. This suggests that absorption rates are lower than current construction activity and might require some slowing in activity. However, the rebound in industrial activity as a result of the declining dollar might lead to more rapid absorption of industrial space in the next six months than occurred in the past year.

The stock market crash appears to have had some minor effects upon single-family sales in the metropolitan area. As a result, single-family permits are expected to fall nearly 9% for the year. The greatest slowing is occurring in Cobb county, but activity also is off sharply in Gwinnett county. Several counties are showing increased activity, however, including Henry, Newton, Paulding, and Walton counties.

Several large apartment projects reappeared in September. There continued to be no apartment activity in Gwinnett, however. Cobb is the only county experiencing increases in apartment activity from previous year levels through the first nine months. Significant projects developed in DeKalb, Clayton, and Fulton counties in September. Nevertheless, activity in Fulton county is only half what it was a year ago. Even with this increased effort, multi-family permits will be down a sharp 48% from the previous year. Excess vacancies clearly created some of this weakness, but a significant part of the correction is caused by changing tax codes. Continued unfavorable tax conditions should restrain apartment construction in 1988 as well.

As a result of the weakness in apartments, single-family activity can remain relatively strong. However, reduced employment opportunities will reduce population growth, leading to a decline in household formations. From a peak of

48,000 housing units needed in the 15-county Homebuilders Association measure of Atlanta, housing need will decline to only 33,000 by 1989. Most of this weakness will be handled by the sharp decline in apartment activity. Indeed, a slight rebound in single-family construction is expected toward the end of 1988 and in 1989. At that time, housing will be permitted at a slightly faster rate than housing need. For that reason, further significant price increases for housing in Atlanta are not anticipated over the next two years.

Relative weakness in Atlanta's economic growth is apparent in taxable sales. During the second quarter sales were only 4.6% above a year ago, only marginally better than the 4.2% gain recorded for the state. Disposable income is increasing nearly 8%. Assuming services raise total consumer spending to the vicinity of 6%, this means a 2 percentage point gap between purchasing power and spending in Atlanta. Such a savings increase is sharply at odds with savings declines for the nation. However, savings also appears to have increased for Georgia.

Some counties experienced surprising slowing in their taxable sales from recent quarters. For example, sales in Paulding county slowed from 16.6% ahead of previous year levels in the first quarter to a gain of only 2.8% in the spring. Taxable sales actually fell by 3.1% in Forsyth county and fell back to single-digit gains in Gwinnett county. Sluggish sales gains were also apparent in Cobb, Cherokee, Fulton, and DeKalb counties. On the other hand, sales appeared to have increased in Clayton and Henry counties on the south side. These sales figures clearly reflect the shift in growth potential between the north and the south side of the metropolitan area.

Obviously, a 4.6% growth in taxable sales is inconsistent with the 6.1% gain in projected employment of retail establishments. A significant slowing in employment opportunities should be anticipated as a result of these imbalances.

Although employment growth in Atlanta will remain a respectable 4% in 1987, employment opportunities are slowing significantly. Employment declines are expected in construction while employment gains will be much slower in trade and services. Partially offsetting this weakness is significant strength in government payrolls, continued moderate growth in transportation, and some acceleration in manufacturing, excluding the effects from anticipated layoffs at Lockheed-Georgia. Only 34,400 additional jobs are expected in 1988 before job gains accelerate slightly as the construction slump slows in 1989. Unemployment rates will be rising over the next two years.

Despite construction weakness, income in Atlanta is expected to continue growing more rapidly than in the state over the next two years. Atlanta already is 50% of the state in purchasing power and should gradually widen its importance over the next two years.

The forecast that Atlanta will continue to do slightly better than Georgia despite significant slowing in construction and a retrenchment in retailing is surprising. However, several manufacturing plants are being constructed in Atlanta. In addition, strength in the transportation sector and an anticipated rebound in the finance sector should provide ample gains in purchasing power. By 1989, the excess construction and retail employment problems will have been resolved. Thus, Atlanta should be ready for moderate, sustained growth at the end of this decade. However, the boom in employment opportunities in Atlanta appears to have come to an end, at least for this decade.

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Table 1

Georgia Wage & Salary Employment for 1986 with Forecasts for 1987 through 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	8.4	8.8	8.8	8.9	3.7	5.3	0.0	1.1
2. Construction	156.2	156.6	150.2	152.4	8.6	0.3	-4.1	1.5
3. Manufacturing	564.6	569.0	572.1	573.3	1.3	0.8	0.5	0.2
Durables	222.1	222.9	222.9	220.9	0.9	0.4	0.0	-0.9
Lumber	34.9	34.6	34.2	34.3	-2.2	-0.9	-1.2	0.3
Furniture	11.8	11.8	11.5	11.6	-0.8	0.0	-2.5	0.9
Stone, Clay, Glass	20.8	20.6	20.1	20.2	4.5	-1.0	-2.4	0.5
Primary Metals	15.4	15.2	15.0	15.2	-6.7	-1.3	-1.3	1.3
Fabricated Metals	20.6	20.5	20.3	20.5	-0.5	-0.5	-1.0	1.0
Nonelectrical Machinery	26.1	26.8	27.1	27.2	0.4	2.7	1.1	0.4
Electrical Machinery	29.2	29.7	30.0	30.3	5.4	1.7	1.0	1.0
Transportation Equipment	50.9	51.0	51.7	48.0	3.7	0.2	1.4	-7.2
Other Durables	12.3	12.7	13.0	13.6	-2.4	3.1	2.4	4.6
Nondurables	342.5	346.1	349.2	352.4	1.6	1.1	0.9	0.9
Food	60.6	61.0	61.9	62.6	2.2	0.7	1.5	1.1
Textiles	103.0	106.8	107.6	107.9	2.2	3.7	0.8	0.3
Apparel	69.8	69.0	68.5	68.9	-0.9	-1.1	-0.7	0.6
Paper	31.0	31.0	31.6	32.2	2.3	0.0	1.9	1.9
Printing	36.6	37.5	38.0	38.4	7.3	2.5	1.3	1.1
Chemicals	19.2	18.7	18.9	19.2	-0.5	-2.6	1.1	1.6
Leather	1.5	1.3	1.4	1.3	-6.3	-13.3	7.7	-7.1
Other Nondurables	20.9	20.8	21.3	21.9	-1.4	-0.5	2.4	2.8
4. Transportation, Comm. & Utilities	166.5	170.3	175.0	179.3	2.2	2.3	2.8	2.5
5. Trade	669.6	696.8	711.5	726.2	4.1	4.1	2.1	2.1
Wholesale	197.1	203.5	204.7	206.3	0.9	3.2	0.6	0.8
Retail	472.5	493.3	506.8	519.9	5.6	4.4	2.7	2.6
6. Finance, Ins. & Real Estate	145.3	150.3	154.1	160.3	6.2	3.4	2.5	4.0
7. Services	505.7	534.6	556.3	577.2	7.8	5.7	4.1	3.8
8. Government	458.6	467.1	473.7	480.9	2.2	1.9	1.4	1.5
Federal	96.0	97.6	98.7	100.1	1.9	1.7	1.1	1.4
State	106.9	108.6	110.3	111.9	2.0	1.6	1.6	1.5
Local	255.7	260.9	264.7	268.9	2.4	2.0	1.5	1.6
Total Wage & Salary Employment	2675.0	2753.5	2801.7	2858.5	4.1	2.9	1.8	2.0
Unemployment Rate	5.9	5.3	5.7	6.1	-9.2	-10.2	7.5	7.0

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Table 2

Georgia Personal Income for 1986 with Forecasts for 1987 through 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	53047	56714	60465	64930	9.4	6.9	6.6	7.4
2. Other Labor Income	4913	5237	5598	5985	8.4	6.6	6.9	6.9
3. Proprietors' Income	6263	6895	7050	7572	14.4	10.1	2.2	7.4
Farm	1022	1212	1032	1181	20.9	18.6	-14.9	14.4
Nonfarm	5241	5683	6018	6391	13.2	8.4	5.9	6.2
Labor & Proprietors' Income:								
1. Farm	1170	1365	1189	1343	17.8	16.7	-12.9	13.0
2. Mining	329	355	369	392	5.4	7.9	3.9	6.1
3. Contract Construction	4485	4284	4232	4573	14.6	-4.5	-1.2	8.1
4. Manufacturing	13017	13558	14277	15051	7.8	4.2	5.3	5.4
Durables	5827	5979	6248	6502	7.7	2.6	4.5	4.1
Nondurables	7190	7579	8029	8549	7.8	5.4	5.9	6.5
5. Transportation & Utilities	5763	6309	6807	7358	6.5	9.5	7.9	8.1
6. Trade	12343	13322	14193	15125	6.7	7.9	6.5	6.6
Wholesale	5794	6253	6604	6989	5.1	7.9	5.6	5.8
Retail	6549	7069	7589	8136	8.2	7.9	7.4	7.2
7. Finance, Ins. & Real Estate	4169	4724	5085	5555	18.1	13.3	7.6	9.2
8. Services	12145	13387	14696	16011	13.5	10.2	9.8	8.9
9. Other Industries	271	279	295	317	14.2	3.0	5.7	7.5
10. Government	10534	11263	11970	12762	6.5	6.9	6.3	6.6
Federal Civilian	2485	2564	2702	2850	-0.1	3.2	5.4	5.5
Federal Military	1479	1498	1597	1729	4.5	1.3	6.6	8.3
State & Local	6590	7201	7671	8183	9.7	9.6	6.5	6.7
Plus:								
Property Income	11158	11630	12016	12945	8.0	4.2	3.3	7.7
State U.I. Benefits	227	267	314	365	7.5	17.6	17.6	16.2
Other Transfers	10338	10943	11632	12284	5.3	5.9	6.3	5.6
Residence Adjustment	-238	-252	-260	-273	22.4	5.9	3.2	5.0
Less: Social Ins. Contributions	3630	3904	4373	4761	10.2	7.5	12.0	8.9
Equals: Total Personal Income	82078	87530	92442	99047	8.7	6.6	5.6	7.1
Nonfarm Personal Income	80908	86165	91253	97704	8.6	6.5	5.9	7.1
% of U.S. Nonfarm	2.29	2.32	2.32	2.34	---	---	---	---
Population	6104	6220	6335	6444	2.16	1.89	1.85	1.72

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College of Business Administration
Economic Forecasting Center
November 1987

Table 3 Atlanta MSA Wage and Salary Employment for 1986 with Forecasts through 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	1.5	1.8	1.9	1.9	20.8	16.5	5.6	0.0
2. Contract Construction	78.4	79.0	73.7	73.6	9.5	0.8	-7.1	-0.1
3. Manufacturing	192.2	192.4	194.4	193.6	3.6	0.1	1.0	-0.4
Durables	100.6	99.9	100.7	98.1	3.3	-0.7	0.8	-2.6
Lumber	5.1	5.2	5.2	5.3	4.1	2.0	0.0	1.9
Furniture	4.5	4.5	4.4	4.6	-4.3	0.0	-2.2	4.5
Stone, Clay, Glass	10.2	10.3	9.9	10.0	7.4	1.1	-3.9	1.0
Primary Metals	6.6	6.6	6.4	6.6	-4.3	0.0	-3.0	3.1
Fabricated Metals	9.2	8.9	8.9	9.1	-1.1	-3.3	0.0	2.2
Nonelectrical Machinery	11.0	11.5	11.7	11.8	4.8	3.9	1.7	0.9
Electrical Machinery	15.5	15.3	15.8	16.2	9.2	-1.1	3.3	2.5
Transportation Equipment	32.9	32.0	32.6	28.4	3.5	-2.7	1.9	-12.9
Other Durables	5.7	5.6	5.8	6.1	0.0	-1.8	3.6	5.2
Nondurables	91.6	92.5	93.7	95.5	3.9	1.0	1.3	1.9
Food	21.9	21.9	22.3	22.8	6.3	0.0	1.8	2.2
Textiles	7.2	7.6	7.7	7.8	-4.0	5.6	1.3	1.3
Apparel	12.4	11.7	11.3	11.5	-2.4	-5.6	-3.4	1.8
Paper	8.9	9.4	9.7	10.0	3.5	5.6	3.2	3.1
Printing	23.3	23.9	24.3	24.6	8.4	2.6	1.7	1.2
Chemicals	9.6	9.7	9.9	10.1	1.1	1.0	2.1	2.0
Other Nondurables	8.2	8.3	8.5	8.7	6.5	1.2	2.4	2.4
4. Transportation, Comm. & Utilities	108.4	111.6	114.5	117.2	3.4	2.8	2.6	2.4
5. Trade	368.0	387.8	397.9	408.4	4.9	5.4	2.6	2.6
Wholesale	129.3	134.5	135.7	137.3	3.1	4.1	0.9	1.2
Retail	238.7	253.3	262.2	271.1	5.9	6.1	3.5	3.4
6. Finance, Ins. and Real Estate	94.4	97.6	100.5	104.6	6.2	3.4	3.0	4.1
7. Services	304.6	324.3	342.6	361.7	8.1	6.5	5.6	5.6
8. Government	183.5	189.2	194.6	199.0	3.1	3.1	2.9	2.3
Federal	39.4	41.3	42.6	43.1	2.9	4.8	3.1	1.2
State	36.4	37.2	38.1	38.8	2.5	2.2	2.4	1.8
Local	107.7	110.7	113.9	117.1	3.4	2.8	2.9	2.8
Total Wage & Salary Employment	1331.0	1383.7	1420.1	1460.0	5.4	4.0	2.6	2.8
Unemployment Rate	4.5	4.4	4.7	5.0	-10.0	-2.2	6.8	6.4

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1987

Table 4 Atlanta MSA Personal Income for 1986 with Forecasts through 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	29331	31750	34113	36820	10.7	8.2	7.4	7.9
2. Other Labor Income	2966	3174	3403	3651	9.1	7.0	7.2	7.3
3. Proprietors' Income	2048	2232	2344	2504	14.6	9.0	5.0	6.8
Farm	96	105	81	93	10.3	9.4	-22.9	14.8
Nonfarm	1952	2127	2263	2411	14.2	9.0	6.4	6.5
Labor & Proprietors' Income:								
1. Farm	113	124	102	116	9.7	9.7	-19.7	13.7
2. Contract Construction	2111	2030	1948	2075	15.5	-4.0	-4.2	6.5
3. Manufacturing	5441	5608	5929	6201	10.1	3.1	5.7	4.6
Durables	3188	3236	3408	3490	10.1	1.5	5.3	2.4
Nondurables	2253	2372	2521	2711	10.1	5.3	6.3	7.5
4. Transportation & Utilities	4117	4529	4878	5268	7.7	10.0	7.7	8.0
5. Trade	7929	8655	9253	9900	8.1	9.2	6.9	7.0
Wholesale	4472	4866	5153	5472	7.3	8.8	5.9	6.2
Retail	3457	3789	4100	4428	9.1	9.6	8.2	8.0
6. Finance, Ins. & Real Estate	3091	3502	3785	4139	18.1	13.3	8.1	9.3
7. Services	7196	7987	8890	9841	13.8	11.0	11.3	10.7
8. Other Industries	166	175	184	197	12.1	5.2	5.6	6.8
9. Government	4181	4546	4891	5238	7.8	8.7	7.6	7.1
Federal Civilian	1127	1198	1287	1355	1.9	6.3	7.4	5.3
Federal Military	232	233	243	256	4.0	0.6	4.2	5.3
State & Local	2822	3115	3361	3627	10.7	10.4	7.9	7.9
Plus:								
Property Income	5781	6047	6271	6785	8.3	4.6	3.7	8.2
Transfer Payments	3398	3640	3913	4175	5.9	7.1	7.5	6.7
Residence Adjustment	-1243	-1276	-1302	-1315	5.2	2.7	2.0	1.0
Less: Social Ins. Contributions	2173	2366	2671	2923	8.6	8.9	12.9	9.4
Equals: Total Personal Income	40108	43201	46071	49697	10.3	7.7	6.6	7.9
Nonfarm Personal Income	39995	43077	45969	49581	10.3	7.7	6.7	7.9
% of Georgia Nonfarm	49.43	49.99	50.38	50.75	---	---	---	---
Population (#,Thousands)	2561	2645	2721	2787	3.60	3.28	2.87	2.44

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1987

Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-3	86-4	87-1	87-2(r)	87-3(p)	Sept(p)	86-3	86-4	87-1(r)	87-2(r)	87-3(p)	Sept(p)
Total	2684.8	2717.9	2757.8	2746.8	2748.0	2745.6	1334.6	1360.9	1387.6	1384.6	1376.6	1375.8
Mining	8.6	8.8	8.9	8.8	8.8	8.8	1.6	1.7	1.7	1.8	1.7	1.8
Contract Construction	157.2	162.1	164.5	155.5	154.2	153.2	78.5	83.7	85.6	79.0	76.7	75.2
Manufacturing	562.1	564.9	568.2	569.0	569.3	566.8	191.4	192.5	192.2	192.9	191.7	191.2
Durables	219.7	221.8	222.8	223.4	222.9	222.1	99.3	100.1	99.7	100.5	99.2	99.1
Lumber	34.2	34.9	35.0	34.5	34.5	34.3	5.1	5.3	5.3	5.1	5.2	5.2
Furniture	11.7	11.7	11.9	11.7	11.8	11.8	4.5	4.5	4.5	4.4	4.5	4.5
Stone, Clay, Glass	20.9	20.9	21.1	20.9	20.4	20.1	10.2	10.2	10.6	10.5	10.2	10.0
Primary Metals	15.4	15.2	15.4	15.4	15.0	15.1	6.7	6.7	6.7	6.7	6.4	6.5
Fabricated Metals	20.4	20.5	20.6	20.7	20.5	20.4	9.1	8.9	8.9	9.0	8.8	8.9
Nonelectrical Machinery	25.8	25.9	26.3	26.8	27.0	26.9	10.9	10.9	11.2	11.5	11.6	11.5
Electrical Machinery	29.2	29.0	29.7	29.7	29.7	29.7	15.3	15.1	15.2	15.5	15.4	15.3
Transportation Equipment	50.0	51.3	50.2	51.0	51.4	51.2	31.9	33.0	31.7	32.3	31.8	31.6
Other Durables	12.1	12.4	12.7	12.7	12.7	12.6	5.7	5.7	5.6	5.5	5.5	5.7
Nondurables	342.4	343.1	345.4	345.6	346.4	344.7	92.1	92.4	92.5	92.3	92.5	92.2
Food	60.8	61.0	61.4	60.5	61.0	60.4	22.0	21.9	21.7	21.8	22.0	21.8
Textiles	103.7	104.1	105.3	106.4	108.0	107.4	7.4	7.5	7.7	7.5	7.7	7.6
Apparel	69.4	69.1	69.8	69.5	68.6	68.0	12.3	12.1	12.0	11.8	11.5	11.3
Paper	30.9	31.2	31.3	31.0	30.4	30.8	9.0	9.1	9.3	9.4	9.5	9.5
Printing	36.7	37.2	37.2	37.4	37.7	37.6	23.4	23.7	23.8	23.9	24.0	23.9
Chemicals	19.3	19.0	18.7	18.5	18.7	18.7	9.7	9.9	9.8	9.6	9.7	9.8
Leather	1.4	1.3	1.2	1.3	1.3	1.3	---	---	---	---	---	---
Other Nondurables	20.2	20.3	20.6	21.0	20.8	20.5	8.3	8.3	8.3	8.4	8.3	8.2
Transportation, Comm. & Util.	166.8	167.3	169.0	170.0	170.0	171.3	109.1	109.5	110.2	111.4	111.9	112.3
Trade	674.6	684.4	700.3	695.8	695.0	694.3	370.5	377.7	388.0	388.1	386.7	386.0
Wholesale	196.6	203.1	205.4	204.5	201.8	201.5	130.0	132.6	135.8	135.6	133.5	133.3
Retail	478.0	481.3	495.0	491.3	493.2	492.8	240.5	245.1	252.2	252.5	253.2	252.7
Finance, Ins. & Real Estate	146.8	149.1	150.7	149.5	149.9	150.0	95.2	96.6	97.7	97.4	97.6	97.7
Services	508.6	523.4	532.7	533.1	531.4	533.3	307.5	315.3	323.2	323.5	323.2	323.3
Government	460.0	458.0	463.4	465.2	469.7	467.9	180.8	183.9	189.0	190.4	187.1	188.4
Federal	95.2	96.1	97.1	97.2	97.9	98.3	39.1	39.6	40.2	41.2	41.7	42.1
State and Local	364.8	361.8	366.3	368.0	371.7	369.6	141.7	144.3	148.8	149.2	145.4	146.3
State	106.5	107.3	109.0	107.8	108.5	107.6	36.1	36.4	37.2	37.6	36.9	35.2
Local	258.3	254.5	257.3	260.2	263.3	262.0	105.6	107.9	111.6	111.6	108.5	111.1

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November 1987

Table 6 Metro Atlanta Housing Permits for 1985 through 1986 with Forecasts through 1989

	1985		1986		1987		1988		1989	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	66	4	64	0	95	0	120	0	135	0
Cherokee	1632	155	2450	265	1605	30	1430	50	1660	65
Clayton	1408	1424	1559	1832	1330	1200	1300	900	1380	750
Cobb	5713	3003	5875	3922	4850	3150	4460	2760	4920	2520
DeKalb	2686	4302	3265	3647	2730	2830	2580	2050	2830	1960
Douglas	702	189	779	242	820	0	970	80	1140	360
Fayette	692	0	822	15	980	0	1050	0	1180	20
Forsyth	718	76	782	88	775	10	810	20	920	50
Fulton	3048	4143	3416	4259	3235	2170	3040	1630	3015	1650
Gwinnett	6905	4112	5728	4062	5006	200	4765	540	4980	1130
Henry	899	126	1322	164	1555	140	1630	190	1820	360
Newton	311	14	373	62	495	10	630	20	800	40
Paulding	718	0	927	6	1050	0	1120	0	1180	20
Rockdale	692	120	1075	283	980	50	920	80	990	120
Walton	286	0	343	0	570	0	620	0	700	0
Total	26476	17668	28780	18847	26076	9790	25445	8320	27650	9045
% Change From Previous Year	+22.7	-8.5	+8.7	+6.7	-9.4	-48.1	-2.4	-15.0	+8.7	+8.7
% Change in Total (single + multi)	+7.8		+7.9		-24.7		-5.9		+8.7	
Estimated Potential Absorption (000)	48.0		44.5		42.2		36.9		33.0	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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ECONOMIC FORECASTING CENTER

Georgia State University
College of Business Administration
February 1988
Dr. Donald Ratajczak, Director

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

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MODERATE GROWTH IN GEORGIA EXPECTED DURING NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center

Summary

Georgia continued to underperform the national economy during the summer months, as nonfarm personal income grew at an annual rate of less than 6% in Georgia as compared to a gain of nearly 7% nationwide. More sluggish than national growth also appears to be in store for the fourth quarter, as seasonally adjusted payrolls increased 1.7% at annual rates in Georgia while they were growing 3.9% in the nation. In the past twelve months through the summer, however, personal income in Georgia grew 6.4% while only expanding 5.9% in the nation.

This period of relatively sluggish growth in Georgia should soon end as manufacturing activity begins to expand. Of course, construction activity is expected to decline, but the magnitude of weakness appears to be less than originally expected. Employment in the trade sector also is expected to slow significantly while the service economy should grow much more slowly than in past years. A temporary dip in the growth of employment in the financial group appears to be the stock market crash impact on Georgia. Employment gains should slow to only 1.8% in 1988 and 1.9% in 1989.

Nonfarm personal income gains in Georgia should slow to only 5.6% in 1988 from an estimated 6.3% in 1987. A slight rebound to 6.3% in 1989 does not reflect increased economic activity, as higher wage rates associated with increasing inflationary concerns will account for that gain.

The reduced gains in employment opportunities will slow population growth in Georgia from more than 2.1% in 1986 to an estimated 1.9% gain in 1987. By 1989 population gains should slow to only 1.7%.

According to the latest coincident indicators, gross state product in Georgia appears to have advanced 3.6% in 1987. This compares with an increase of 2.9% for the United States. In 1988, gross state product is projected to increase 2.3%, only marginally above the 2.0% projected for the nation. A modest acceleration to an increase of 2.5% in 1989 will compare more favorably with a U.S. estimated gain of only 1.6%. These results must be viewed as sluggish, but not recessionary, over the next two years.

Recent Conditions

After two quarters of minimal employment gains, payrolls expanded significantly in Georgia during the fourth quarter. Construction rebounded, but some of that might be the result of especially mild winter weather. Construction weakness is anticipated for 1988. The gains in manufacturing are more fundamental. The fastest growth in durable manufacturing is in nonelectrical machinery while food processing, paper, and printing all contributed to significant payroll gains in the nondurable sector. Our

preliminary estimates for December show that these employment gains persisted in that month. The transportation sector also spurted following two quarters of minimal growth. On the other hand, retail activity expanded less than seasonally anticipated, leading to seasonally adjusted declines in trade employment. Christmas sales were as much a struggle in Georgia as they were nationwide. Following two quarters of minimal growth, the service sector rebounded during the fourth quarter. Growth in health services was especially sharp. Government payrolls apparently stalled, although the decrease in seasonally adjusted employment gains at the local level may suggest more difficulties with attracting qualified education personnel than a reduction in basic demand for local governmental services. Seasonally adjusted payrolls in Georgia are expanding only 1.7% at annual rates in the fourth quarter as compared to a 3.9% rate for the U.S. Thus, Georgia personal income should trail U.S. performances for the third consecutive quarter when that data becomes available.

Not only did nonfarm personal income grow more slowly in Georgia than in the nation, but farm income also slowed significantly. Unusually favorable pricing for poultry product disappeared in the summer months and remains absent as the new year begins. Indeed, farm income may continue to grow more slowly than in the nation through much of 1988, although prices of row crops could improve. Farm land prices are beginning to stabilize following seven years of declining values. Because property income increased more sharply in Georgia than nationwide (3.1% versus 2.4%), the earnings discrepancy was even larger than the personal income discrepancies. Despite weakness in earnings, however, state unemployment benefits actually declined more significantly in Georgia than in the nation during the summer months.

Earnings declined for agricultural services and fisheries, construction, and wholesale trade. For the nation as a whole, only the agricultural and fisheries group showed an earnings drop. Surprisingly, durable goods earnings grew more rapidly in Georgia than nationwide (2.3% versus 1.0%) while nondurable goods showed slower earnings growth in Georgia (0.7% versus 1.5%). Federal government earnings grew more sharply in Georgia than nationwide, (1.4% versus 0.5%) while state and local earnings also expanded more sharply than in the nation (2.4% versus 1.9%). A slowing in services clearly was evident in Georgia, while service earnings nationwide accelerated during the summer months.

In December, payrolls continued to expand for construction as a result of mild weather. This pattern almost certainly was reversed early in 1988. Strong gains also continued to be recorded for manufacturing although the increase in payrolls for transportation equipment have since been reversed as a result of an indefinite suspension of production at the Lakewood auto assembly plant. However, the rebound in textiles and apparel appear to be more permanent, even if carpeting is expected to weaken in 1988. Renewed growth in the service sector also bodes well for employment growth in Georgia in the early part of 1988.

Georgia's coincident indictors grew solidly during the fourth quarter. Indeed, the gains are consistent with an increase in gross state product of 3.3%. However, this is nearly a percentage point behind the 4.2% gain in GNP nationwide. All indicator sectors showed some strength as the year ended. Especially noteworthy was a significant rebound in corporate tax accruals. This suggests that the corporate sector may be capable of increasing hirings early in the new year. The insured unemployment rate continued to trend downward,

indicating strength in Georgia's labor markets as the year ended. Strong growth in the index of hours worked suggests that payroll expansion already was progressing. Indeed, the hours input measure increased at an annual rate of 3.1%. This suggests that productivity gains in the Georgia economy were minimal. Of course, productivity nationwide declined by 0.2% during the quarter. All the coincident indicators showed sizable increases in December, leading to an especially robust 1% gain in measured economic activity in Georgia in that month.

Although the leading indicators generally performed better than the coincident indicators in the fall, a sharp decline in those leading indicators during December clouds economic prospects for the next few months. In general, the leading indicators have been accurate in predicting conditions in the Georgia economy three to six months ahead. Only a modest increase in the manufacturing workweek and some growth in total state revenue contributed positively to the leading indicators. On the reverse side, initial unemployment claims began rising, as they did nationwide. Also, sharp declines in housing permits, nonresidential contracts, and sales tax receipts suggest that the same weakness in construction and consumer spending is developing in Georgia that is becoming readily apparent nationwide. While the year-over-year gains in the leading indicators increased relative to the coincident indicators, usually suggesting significant acceleration in economic activity ahead, sharp weakness in the leaders during December gives pause to any such favorable projections. Apparently, the same crosscurrents that are stimulating some areas of the national economy and weakening others appear to be operational in Georgia at the present time.

Toward the end of 1987, sales in the South Atlantic states continued to show significant improvement over the nation. Sales were up 5.6% in the region as opposed to only 3.9% for the nation. Sales continued to show dramatic weakness in the Atlanta area, with a decline of 7.4%. Department store sales in Atlanta continued to show a gain of slightly more than 7% from the previous year. This compared favorably with only a 5.8% gain in department stores in the nation. Taxable sales showed a noteworthy increase, rebounding 9.7% from the previous year. Adjusted for service purchases, this suggests that total consumer activity grew nearly 7%. This is approximately the magnitude of growth in disposable income, suggesting that savings rates in Georgia probably fell slightly from a year ago. Of course, the savings rate nationwide reached an unusually low 2.8% in the comparable quarter.

In the past year, the unemployment rate nationwide has fallen by nearly a percentage point. In Georgia, by contrast, the unemployment rate fell only 0.3 percentage points and is now at the same rate as in the nation. The unemployment declines that occurred appear to be related to a slowing in the growth of the Georgia civilian labor force. This is consistent with estimates of a slowing in population flows. Atlanta shows the lowest unemployment rate of all metropolitan areas at 4.4%. But this is no change from the previous year. Unemployment in Athens is at 4.6%, down from 5.1% a year ago as a result of reasonable gains in employment and relatively slow labor force growth. In Macon, the unemployment rate improved by 0.5 percentage points over the year to 5.1%. Much of this was the result of virtually no growth in the labor force while the household measure of employment expanded about 1%. Employment growth was more significant in Augusta, where the unemployment rate has fallen by 0.7 percentage points to 5.4%. By contrast, employment in Savannah has actually declined over the past year as measured by household surveys. However, even a

greater decline in the labor force resulted in a very modest drop in the unemployment rate to 6.0%. The unemployment rate in Columbus has actually increased over the year by 0.2 percentage points as labor force growth increased more rapidly than the moderate gains in employment opportunities. A combination of moderate employment gains and significant labor force declines helped Albany to improve its unemployment rate by nearly 2 percentage points. According to these household estimates of employment in Georgia, employment gains have now slowed to less than 20,000. In contrast, payroll employment still shows almost a 38,000 gain from the previous year.

Nationwide, the insured unemployment rate has increased slightly to 2.3% in recent weeks. In comparison, the insured unemployment rate has been trending downward in Georgia and Atlanta. The Georgia unemployment rate is now slightly below 1.3% while the Atlanta rate has fallen below 1%. This level of insured unemployment indicates that full employment of the experienced work force apparently has been achieved in the Atlanta metropolitan area. Relatively tight labor markets also appear to exist statewide. As a result, further increases in economic activity would lead to increasing wage pressures in Georgia relative to the nation as a whole.

Although interest rates have fallen significantly since the stock market crash, the effective mortgage rates for loans closed only now are beginning to decline. Nationwide, the effective rate in December was 9.25%, down 0.42 percentage points from the previous year. In Atlanta, the effective rate was 8.87%, a 0.62 percentage point improvement from the previous year. The average home financed nationwide costs $122,400, up $4000 from the previous year. The purchase price of financed homes in Atlanta average $138,600, an increase of $24,900 from the previous year. A modest weakening in home prices in Atlanta may develop in the weeks ahead. However, mortgage rates are continuing to come down nationwide. Mortgage rates near 8.5% may be available in the Atlanta market this spring. However, rates are then expected to rise toward 10% by the end of this year and remain near the 10% level through 1989.

Revenue collections in Georgia continue to be surprisingly strong in comparison to other economic indicators for the state. Some of the gains are in individual income and may reflect unusually heavy estimated tax payments to prepay Georgia taxes at higher federal marginal tax rates. Even so, the 12.3% year-over-year gain in the fall now indicates that revenues are 10.7% above the previous year for the first six months. This gain compares with year-over-year gains of 9.1%, 6.9%, 10.0%, and 6.4% in previous quarters. Revenue gains in December slowed slightly to only 9.3% as a result of weakness in sales tax collections. Because of this significant increase in contributions early in the fiscal year, revenues should grow about 8.3%, rather than the 7.5% originally anticipated. In the fiscal year following that, with inflation remaining only slightly above 4% and employment growing slightly less than 2%, revenue growth should be about 7.5%. It is clear, however, that the state should have no difficulties meeting its budgetary needs during the next two years.

During the fourth quarter, sales tax collections grew more slowly in Georgia than for all state and local governments. Georgia collections were up only 5.9% as compared to increases of 9.7%, 5.1%, 5.4%, 2.5%, and 3.0% in previous quarters. All other state and local governments saw their sales tax collections grow 6.0% following increases of 7.2%, 7.6%, 8.5%, 7.6%, and 7.6%. The surge in Georgia's personal income tax collections was not comparable to performances for all state and local governments. In Georgia, tax collections

for personal income were up 15.5% in the fourth quarter. This compared with gains of 11.0%, 9.6%, 12.2%, 8.0%, and 8.9% in previous quarters. All state and local governments showed a surprisingly weak increase of only 4.1%. In previous quarters, tax collections were up 6.7%, 13.1%, 5.8%, 6.9%, and 6.7%. The one exceptional quarter reflected one-time capital gains as a result of the tax reform act. No such surge in capital gains collections was apparent in Georgia. Despite modest evidence of greater efficiency in Georgia corporations, Georgia corporate tax collections increased only 5.7% in the quarter. This compares with gains of 4.9%, 2.9%, 26.3%, 21.2%, and 7.5% in previous quarters. By contrast, corporate tax collections apparently were up an estimated 20.5% nationwide. This compares with a gain of 30.3% in the previous quarter following a 9.5% decline in the quarter prior to that. In earlier quarters, gains were 28.5%, 14.6%, and 5.8%. A significant slowing in revenue gains should be anticipated for the second six months of the current fiscal year.

Summary of Outlook

Although seasonally adjusted employment rebounded in the fourth quarter, comparisons with the nation continue to show a Georgia economy that is growing at a reduced relative rate. Revenue gains may suggest otherwise, but most of the increase in revenues appear to be associated with unusually rapid personal income tax collections that are not being reflected in increased sales activity or increased profitably. Thus, the revenue gains may be the result of prepayments of Georgia taxes to gain deductibility at higher marginal tax rates.

The Georgia economy appears to have many of the characteristics of the economy nationwide. Construction and retail activity are slowing significantly according to components of the leading indicators. On the other hand, manufacturing appears to be rebounding nicely. Gains are especially significant in the nonelectrical machinery area. Moreover, the service economy is again showing increased strength following a summer of lackadaisical gains.

Although a deep slump in construction is not anticipated, as housing probably will stabilize in the second half of 1988 and increase slightly in 1989, some weakening definitely should appear. A temporary slowing in both real estate and financial services also is anticipated. In addition, wholesale trade should grow much more slowly in the next two years than it did in 1987. Some slowing also is expected in retail trade. While the projected 2.1% employment gains in that sector for 1988 are appropriate for anticipated increases in sales volumes, previous excess employment leaves Georgia with a slight glut of retail capacity. The slowing in transportation services appears to be the result of continuing turmoil in the trucking industry. However, the rebound in manufacturing activity should provide sufficient transportation outlets to quickly shore up that sector of the overall economy. Moderate growth is anticipated in government payrolls, although early indications show a slight spurt in state payrolls. While this increase in employment at a time when economic activity is slowing will tend to stabilize conditions in the state, increased spending could begin straining budgets if revenue growth subsides, as anticipated.

Because of weakness in construction, the construction-related industries are expected to soften in 1988. In addition, some employment slack is expected in the metals industries, although declines here should not be substantial. Electrical machinery also is performing worse than had been anticipated. On the

other hand, nonelectrical machinery is rebounding stronger than previously expected. If problems with auto assembly plant inventories and Lockheed-Georgia's difficulty in finding new products can be overcome, manufacturing in Georgia could perform well in the next two years. Unfortunately, our current outlook suggests that inventory problems will persist in the automobile industry and that Lockheed-Georgia will not be able to fully re-employ the more than 8000 workers who are facing layoffs as the C-5B program comes to an end.

Fortunately, strength is beginning to develop in all the nondurable sectors. The carpet industry may be buffeted by reduced demand for its products over the next two years, as the automobile, office, and apartment markets all correct for previous excesses. In 1987, manufacturing shipments were up nearly 8% while retail sales were flat. While reduced imports may account for a portion of this discrepancy, import activity in the carpet industry does not exceed 8%. This suggests that a slight inventory overhang probably is facing that important Georgia industry at the present time. Excluding that area, however, textile activity is expected to advance. Other textiles are becoming competitive with foreign suppliers while the paper industry is booming, not only in Georgia, but throughout the country. The strength in printing also belies concerns about a looming recession. The slump in chemicals that accompanied some restructuring by a major chemical company with plants along the Georgia coast appears to have been completed. Therefore, reasonable, if not spectacular growth in nondurables is anticipated over the next two years.

Because of the slowing in construction, trade, and financial services, employment gains in Georgia are expected to slow to only 50,800 in 1988. A slight rebound to 53,500 is expected in 1989. These gains will not be sufficient to prevent the unemployment rate from rising. However, unemployment should rise only modestly over the next two years, as the absence of job opportunities slows population flows into the state.

Most of the reductions in employment gains are reflected in the slower growth of personal income. Income already has been sluggish in construction and is expected to also show declines in farming in 1988 as the poultry industry struggles through a year of excess capacity. Because of tax reductions associated with the tax reform act of 1986, disposable income will be growing faster than nonfarm personal income in 1988. With inflation for retail goods running about 3.5% in that year, this provides real spending gains of about 2.5%. Thus, the 2.1% growth in retail employment provides for some tightening of the especially excessive retail market at the present time. Real disposable income also will be growing about 2.5% in 1989. Especially noteworthy in the personal income projections is significant slowing in the growth of service earnings without any acceleration in manufacturing earnings. Weakness in the national economy will prevent the extensive overtime work that leads to dramatic earnings in manufacturing and construction sectors. Higher unemployment will lead to an increase in unemployment insurance benefits being distributed to Georgians.

The Georgia economy is showing the same crosscurrents that currently prevail nationwide. The consumer clearly is retrenching, causing much lower growth in consumer-related employment opportunities. In addition, construction is continuing a relatively substantial correction. However, improved manufacturing opportunities because of increased competitiveness against foreign producers insures that manufacturing opportunities will expand. A few Georgia

industries will have some employment problems in the next two years, especially in the transportation equipment area. However, some of this will be offset by substantial strength, especially in paper and printing. While the net results of these crosscurrents is a slower rate of growth in the Georgia economy than in recent years, there are no signs that a recession is looming in Georgia at the present time.

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ATLANTA SLOWS FROM BOOM TO MODEST GROWTH

Recent Conditions and Outlook

Employment opportunities still exist in Atlanta, but the rate of employment growth has slowed sharply. According to our seasonally adjusted payroll estimates, employment gains in Atlanta during the fourth quarter were at an annual rate of 2.3%. This is stronger than in the remainder of Georgia, but trails the United States. Again, favorable weather may have been a factor in pumping up construction activity. According to some employment estimates used at GSU, current construction employment levels are justified for employment gains of 3% per year. In the past five years, of course, employment gains have greatly exceeded that. However, our projections show slower employment gains than that level in the next few years. As a result, a significant contraction in construction will be required. Favorable weather has stalled the contraction in the fourth quarter and has even generated a significant surge in housing sales in December. This surge, however, cannot persist with the current employment projections.

In addition to a weather-related rebound in construction, the rebound in payrolls largely reflected a spurt in the transportation and service economies. In addition, federal and local government payrolls expanded sharply. The gains in government payrolls will not persist. Federal budget restraints should slow the expansion of federal employees in Atlanta over the next two years. Similarly, the rebound in local government appears to be merely a seasonal burst following weaker than normal employment of education personnel during the summer months. In short, Atlanta's payroll figures overstate the degree of employment rebound during the fall.

Although manufacturing is not very important in the Atlanta economy, transportation equipment is an important component of what manufacturing exists. With the Lakewood assembly plant on indefinite layoff and the employees of Lockheed-Georgia facing uncertainty as the C-5B project comes to an end, substantial declines in payrolls of durable manufacturers can be expected by the end of 1988 and early in 1989. This will be partially offset by payroll growth for nondurables. Except for the apparel industry, all nondurables in the metro area appear to be expanding significantly. Especially rigorous growth is developing for the paper, printing, and food processing areas. Also, nonelectrical machinery appears to be expanding sharply in the durable component. These sectors are expected to expand further, but they are only expected to offset weakness in transportation equipment.

Slowing in the financial and real estate sector appears to be sharper in Atlanta than for the state as a whole. This is not surprising, as consolidation

of brokerage activities would more significantly impact the Atlanta area. On the other hand, rapid growth in federal government payrolls cannot be sustained. Even with projections of slightly faster payroll gains for state and local governments, some slowing should be expected in the overall government sector.

More square footage of new leases were signed in 1987 than any year in the history of Atlanta. However, a significant portion of that leased space has not been occupied. Moreover, substantial amounts of space are being released as legal and other companies relocate from their present facilities.

According to a study by Cushman & Wakefield, absorption in 1987 was not quite at their estimated record 4.5 million-square-feet for 1985. Thus, leasing slowed significantly during the second half of the year. However, they estimate that more than 6 million-square-feet of office space continues to be under construction. With a three-year inventory already available and with construction exceeding 1.3 years of absorption, overbuilding in the Atlanta office market is expected to persist for the next few years. However, most of the overbuilding appears to be in the I-75, I-285 area and along the I-400 corridor. The Buckhead area has announced facilities that clearly would lead to dramatic excess capacity, but many of these facilities have not yet broken ground. Rapid growth in Midtown will also add significantly to capacity in that area, as many of the tenants from the central business district are encouraged to migrate slightly north. Even with the rotation out of some of the downtown facilities, however, downtown vacancy rates remain among the lowest in the area. Of course, Coldwell Banker's measure of Atlanta's office vacancy in the downtown area is only 10.5%. It has hovered at this level throughout 1987. This compares quite favorably with the 16.3% downtown vacant rate recorded nationwide.

Most of the vacancy problems in Atlanta and elsewhere throughout the nation are in suburban areas. While suburban vacancies are beginning to fall nationwide, they still total a surprisingly large 22.8%. In Atlanta, the vacancies continue to trend downward and are now at 18.9%. Because Atlanta's market is not as seriously overbuilt as in other areas, rental rates have not adjusted downward as sharply as in some other cities. At the present time, the $18 rental rate for class-A space and slightly more than $23 for new space is only slightly lower than the national average, though significantly lower than in the Northeast.

Rental rates for industrial space also are close to national norms. While quotes vary widely, warehouse space probably is available at $2.50 per square foot in Atlanta while high-tech multi-use areas charge slightly more than $8 per square foot. The latter is a slight bargain in comparison to national estimates. However, industrial vacancy rates nationwide have been trending downward and now are 5.5%. In Atlanta, they are trending upward and are also at 5.5%. The rate has not moved sharply upward, suggesting that leasing is consistent with current starts at the present time.

The mild weather at year-end apparently stimulated several large apartment projects. In November, 1550 apartment units were permitted as compared to 863 in the previous year. Activity was especially vigorous in Clayton with 500 units, DeKalb with 648 units, and Gwinnett with its only 262 apartment unit permits of the year. Activity was much more modest in December, although Atlanta, Cobb, and Rockdale all had significant apartment projects permitted. Even with this year-end surge in apartment activity, total apartments were down

39% for the year. Single-family activity also had a year-end spurt with November activity actually exceeding previous year efforts in Fulton, DeKalb, Cobb, and Clayton counties. Newton county also had a spurt in activity, although the magnitude of activity remains small there. Fulton continued to show better than year ago gains in December, but activity slowed in DeKalb and Cobb relative to a year ago. Housing sales at the end of the year were surprisingly strong, suggesting that relatively strong single-family activity can be anticipated in 1987. Nevertheless, single-family permits fell below previous year levels by nearly 10% in 1987.

Our estimates of potential absorption of housing units, based upon projections of household formations and housing removal, suggests that current housing activity is removing vacancies from the market. However, significant vacancies developed in 1986 as a result of significant overbuilding relative to potential. Reduced interest rates in 1988 could lead to a stronger housing market than currently projected, as needs still are substantial. For example, the plunge in apartment activity in Gwinnett may have rapidly moved that county toward greater balance in their rental markets. More substantial permit activity could develop than currently projected there. On the other hand, the weakness in employment opportunities in Cobb county unless Lockheed-Georgia replaces their production programs could lead to slightly slower growth in housing activity in that county. Rapid growth currently is developing in the south side with a spurt in housing activity in Clayton and Henry counties. The surge in activity in Henry county is expected to moderate somewhat in the next two years. Some slowing has developed in Cherokee, but the housing market there is expected to gradually rebound as the year progresses.

Overall, it appears that apartment activity is leveling out to slightly more than 10,000 units per year while single-family activity is going to remain on a plateau of nearly 26,000 units. However, the more than 36,000 unit total may be more than the markets can absorb in 1989 if our employment projections are realized. These permit gains should be contrasted with the nearly 50,000 permits that were generated in the peak construction year of 1986.

Taxable sales rebounded in the Atlanta metropolitan area during the third quarter, probably as a result of significant auto purchases. Nevertheless, taxable sales are now more than a percentage point above the statewide averages and are significantly higher than taxable sales gains for the previous year. Most of this surge surprisingly was experienced by Fulton county, where taxable sales spurted to a gain of 14.8% following an anemic 3.8% year-over-year gain in the previous quarter. Double-digit gains also were recorded by Butts (13.3%), Clayton (12.3%), Coweta (13.5%), Fayette (10.9%), Gwinnett (11.9%), Rockdale (11.8%), and Walton (12.9). Several counties experiencing rapid housing formations are not showing commensurate gains in sales. These include Henry, Paulding, Cobb, and DeKalb.

Obviously, the current growth in taxable sales can easily support the nearly 6% expansion in retail employment in the Atlanta metropolitan area. Unfortunately, the third quarter surge in taxable sales cannot be sustained. It appears that disposable income probably increased by less than 5% after adjustment for inflation. The inflation-adjusted taxable sales appear to be up 8% in the third quarter. This strongly suggests that significant slowing in retail activity will occur late this year and early next year.

Although the Atlanta metropolitan area is expected to continue growing faster than the remainder of Georgia, a significant reduction in construction

activity appears to be developing. In addition, some manufacturing activities in Atlanta are subject to significant employment weakness over the next two years. Retail activity appears to be largely in balance with current income being generated. In addition, following a minor correction in finance and real estate, employment opportunities will reappear there. The service sector is growing at a reduced rate, but it continues to grow comfortably faster than the nation as a whole. Some slowing is expected in the growth of government payrolls, but the importance of Atlanta as a significant government center continues to grow. Projections of employment gains of only 33,500 in 1988 and 37,400 in 1989 will not be sufficient to absorb the growing labor force. As a result, the unemployment rate is expected to rise slightly. On the other hand, the insured unemployment rate now is below 1%, which generally is considered full employment for the Atlanta metropolitan area. In the absence of a slight increase in the unemployment rate, cost pressures could begin developing in this area that could lead to loss of relative competitiveness. Already, weakness in other metropolitan areas has lowered rental rates on their office facilities to levels commensurate with that commanded in Atlanta. Thus, slowing from a boom to a more modest rate of expansion may be necessary to preserve the significant cost advantages that Atlanta has commanded over other growing metropolitan areas in the past.

On balance, Atlanta appears to be able to move from a boom economy to a more sustainable, if lower rate of growth, without a significant economic correction. Such a rotation in economic activity normally cannot be achieved without some economic contraction. While a recession still is not completely out of the picture for the Atlanta area, especially if manufacturing weakens more than currently projected, current employment projections for the Atlanta area appear to be realistic. While the boom is over, no slump appears to be in the picture except in the overbuilt construction areas.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1988

Table 1

Georgia Wage & Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	8.4	8.8	8.9	9.0	4.4	5.1	0.6	1.1
2. Construction	156.1	158.3	156.3	155.2	8.6	1.4	-1.3	-0.7
3. Manufacturing	564.6	569.6	575.8	578.1	1.3	0.9	1.1	0.4
Durables	222.1	223.1	223.7	221.4	0.9	0.5	0.3	-1.0
Lumber	34.9	34.7	34.5	34.5	-2.1	-0.8	-0.6	0.0
Furniture	11.8	11.8	11.5	11.5	-0.9	-0.1	-2.5	0.0
Stone, Clay, Glass	20.8	20.7	20.0	19.9	4.5	-0.7	-3.4	-0.5
Primary Metals	15.4	15.2	14.9	14.9	-6.9	-1.1	-2.0	0.0
Fabricated Metals	20.6	20.5	20.4	20.5	-0.3	-0.5	-0.5	0.5
Nonelectrical Machinery	26.1	27.0	28.2	29.1	0.3	3.4	4.4	3.2
Electrical Machinery	29.2	29.6	29.0	29.2	5.7	1.1	-2.0	0.7
Transportation Equipment	50.9	51.1	52.2	48.3	3.7	0.3	2.2	-7.5
Other Durables	12.3	12.7	13.0	13.5	-2.5	3.3	2.4	3.8
Nondurables	342.5	346.5	352.1	356.7	1.6	1.2	1.6	1.3
Food	60.6	61.2	62.3	63.0	2.1	1.0	1.8	1.1
Textiles	103.0	106.9	108.5	109.6	2.2	3.7	1.5	1.0
Apparel	69.8	69.1	69.5	70.3	-0.9	-0.9	0.6	1.2
Paper	31.0	31.1	31.9	32.4	2.2	0.2	2.6	1.6
Printing	36.6	37.7	39.0	39.8	7.2	3.0	3.4	2.1
Chemicals	19.2	18.6	18.8	19.1	-0.6	-3.1	1.1	1.6
Leather	1.5	1.3	1.3	1.3	-9.7	-13.0	0.0	0.0
Other Nondurables	20.9	20.7	20.8	21.2	-1.4	-1.1	0.5	1.9
4. Transportation, Comm. & Utilities	166.5	170.0	173.3	176.9	2.2	2.1	1.9	2.1
5. Trade	669.4	695.6	706.8	723.9	4.1	3.9	1.6	2.4
Wholesale	197.1	203.7	204.5	206.3	0.9	3.3	0.4	0.9
Retail	472.3	491.9	502.3	517.6	5.5	4.1	2.1	3.0
6. Finance, Ins. & Real Estate	145.3	150.1	152.1	155.6	6.3	3.3	1.3	2.3
7. Services	505.6	534.3	556.0	576.5	7.7	5.7	4.1	3.7
8. Government	458.6	466.5	474.7	482.2	2.2	1.7	1.8	1.6
Federal	96.0	97.7	99.5	100.8	1.9	1.8	1.8	1.3
State	106.9	108.6	112.4	115.3	2.0	1.6	3.5	2.6
Local	255.7	260.1	262.8	266.1	2.4	1.7	1.0	1.3
Total Wage & Salary Employment	2674.6	2753.1	2803.9	2857.4	4.1	2.9	1.8	1.9
Unemployment Rate	5.9	5.3	5.7	6.1	-9.2	-10.2	7.5	7.0

Georgia State University
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Economic Forecasting Center
February 1988

Table 2

Georgia Personal Income for 1986 and 1987 with Forecasts for 1988 and 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	53047	56614	60100	64047	8.8	6.7	6.2	6.6
2. Other Labor Income	4913	5196	5513	5860	8.3	5.8	6.1	6.3
3. Proprietors' Income	6263	6782	7098	7571	13.7	8.3	4.7	6.7
Farm	1022	1067	1012	1132	40.7	4.4	-5.2	11.9
Nonfarm	5241	5715	6086	6439	12.8	9.1	6.5	5.8
Labor & Proprietors' Income:								
1. Farm	1170	1217	1168	1295	16.0	4.0	-4.0	10.9
2. Mining	329	371	392	416	9.1	12.8	5.7	6.2
3. Contract Construction	4485	4293	4345	4465	13.6	-4.3	1.2	2.8
4. Manufacturing	13017	13612	14189	14799	7.2	4.6	4.2	4.3
Durables	5827	6023	6208	6390	6.6	3.4	3.1	2.9
Nondurables	7190	7589	7981	8409	7.7	5.5	5.2	5.4
5. Transportation & Utilities	5763	6153	6586	7059	6.6	6.8	7.0	7.2
6. Trade	12343	13109	13843	14758	6.7	6.2	5.6	6.6
Wholesale	5794	6096	6395	6761	4.8	5.2	4.9	5.7
Retail	6549	7013	7448	7997	8.5	7.1	6.2	7.4
7. Finance, Ins. & Real Estate	4169	4663	4985	5380	17.8	11.8	6.9	7.9
8. Services	12145	13406	14718	16100	13.2	10.4	9.7	9.5
9. Other Industries	271	269	280	294	13.9	-0.7	4.1	5.0
10. Government	10534	11499	12205	12912	6.4	9.2	6.1	5.8
Federal Civilian	2485	2564	2717	2863	0.4	3.2	6.0	5.4
Federal Military	1479	1496	1577	1686	3.2	1.1	5.4	6.9
State & Local	6570	7439	7911	8363	9.7	13.2	6.3	5.7
Plus:								
Property Income	11158	11673	12128	12880	7.8	4.6	3.9	6.2
State U.I. Benefits	227	248	273	314	9.3	9.3	10.1	15.0
Other Transfers	10338	10875	11484	12150	5.6	5.2	5.6	5.8
Residence Adjustment	-238	-250	-258	-270	20.5	5.0	3.2	4.7
Less: Social Ins. Contributions	3630	3876	4314	4663	9.9	6.8	11.3	8.1
Equals: Total Personal Income	82078	87262	92024	97889	8.5	6.3	5.5	6.4
Nonfarm Personal Income	80908	86045	90856	96594	8.4	6.3	5.6	6.3
% of U.S. Nonfarm	2.32	2.34	2.35	2.38	---	---	---	---
Population	6104	6222	6335	6444	2.16	1.93	1.82	1.72

Georgia State University
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Economic Forecasting Center
February 1988

Table 3 Atlanta MSA Wage and Salary Employment for 1986 and 1987 with Forecasts for 1988 and 1989
(Thousands)

Industry	1986	1987	1988	1989	85-86	86-87	87-88	88-89
1. Mining	1.5	1.7	1.8	1.8	20.4	18.8	3.4	0.0
2. Contract Construction	78.4	80.0	76.3	75.1	9.4	2.1	-4.6	-1.6
3. Manufacturing	192.2	192.2	194.8	194.4	3.5	-0.0	1.4	-0.2
Durables	100.6	99.7	100.1	97.7	3.2	-0.9	0.4	-2.4
Lumber	5.1	5.3	5.5	5.4	5.0	2.3	3.8	-1.8
Furniture	4.5	4.5	4.4	4.5	-4.7	-0.7	-2.2	2.3
Stone, Clay, Glass	10.2	10.3	9.6	9.7	7.4	1.1	-6.8	1.0
Primary Metals	6.6	6.6	6.3	6.3	-4.2	0.3	-4.5	0.0
Fabricated Metals	9.2	8.9	8.8	8.9	-0.9	-3.0	-1.1	1.1
Nonelectrical Machinery	11.0	11.6	12.4	13.0	4.6	5.3	6.9	4.8
Electrical Machinery	15.5	15.3	15.1	15.4	8.9	-1.4	-1.3	2.0
Transportation Equipment	32.9	31.8	32.3	28.5	3.3	-3.1	1.6	-11.8
Other Durables	5.7	5.6	5.7	6.0	0.1	-2.6	1.8	5.3
Nondurables	91.6	92.5	94.7	96.7	3.9	0.9	2.4	2.1
Food	21.9	21.8	22.5	23.0	6.0	-0.3	3.2	2.2
Textiles	7.2	7.6	7.8	8.0	-3.9	5.3	2.6	2.6
Apparel	12.4	11.7	11.5	11.7	-2.0	-6.4	-1.7	1.7
Paper	8.9	9.4	9.8	10.1	3.8	4.9	4.3	3.1
Printing	23.3	24.0	24.8	25.2	8.1	3.1	3.3	1.6
Chemicals	9.6	9.7	9.9	10.1	1.2	1.3	2.1	2.0
Other Nondurables	8.2	8.3	8.4	8.6	6.5	0.8	1.2	2.4
4. Transportation, Comm. & Utilities	108.4	111.7	115.0	118.3	3.4	3.1	3.0	2.9
5. Trade	367.9	386.8	395.9	406.2	4.9	5.1	2.4	2.6
Wholesale	129.3	134.7	135.5	137.3	3.2	4.1	0.6	1.3
Retail	238.6	252.1	260.4	268.9	5.9	5.7	3.3	3.3
6. Finance, Ins. and Real Estate	94.5	97.5	98.3	101.4	6.3	3.2	0.8	3.2
7. Services	304.4	324.1	339.6	356.4	8.1	6.4	4.8	4.9
8. Government	183.5	189.5	195.3	200.8	3.1	3.3	3.1	2.8
Federal	39.4	41.5	43.3	44.2	3.0	5.1	4.3	2.1
State	36.4	37.2	37.9	38.8	2.6	2.2	1.9	2.4
Local	107.7	110.8	114.1	117.8	3.3	2.9	3.0	3.2
Total Wage & Salary Employment	1330.7	1383.5	1417.0	1454.4	5.4	4.0	2.4	2.6
Unemployment Rate	4.5	4.4	4.7	5.0	-10.0	-2.2	6.8	6.4

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1988

Table 4 Atlanta MSA Personal Income for 1986 with Forecasts for 1987 through 1989
(Millions of Dollars)

	1986	1987	1988	1989	85-86	86-87	87-88	88-89
Labor & Proprietors' Income:								
1. Wage & Salary Income	29235	31485	33614	36089	10.3	7.7	6.8	7.4
2. Other Labor Income	2963	3153	3358	3583	9.0	6.4	6.5	6.7
3. Proprietors' Income	2054	2241	2380	2534	14.9	9.1	6.2	6.5
Farm	105	105	91	100	20.6	0.3	-15.8	10.4
Nonfarm	1949	2136	2289	2434	14.0	9.6	7.2	6.3
Labor & Proprietors' Income:								
1. Farm	122	124	112	123	18.4	1.6	-9.7	9.8
2. Contract Construction	2091	2018	1977	2014	14.4	-3.6	-2.1	1.9
3. Manufacturing	5404	5584	5829	6035	9.4	3.3	4.4	3.5
Durables	3153	3216	3319	3369	8.9	2.0	3.2	1.5
Nondurables	2251	2368	2510	2666	10.0	5.2	6.0	6.2
4. Transportation & Utilities	4121	4442	4802	5186	7.8	7.8	8.1	8.0
5. Trade	7915	8482	9001	9615	7.9	7.2	6.1	6.8
Wholesale	4464	4731	4973	5276	7.1	6.0	5.1	6.1
Retail	3451	3751	4028	4339	8.9	8.7	7.4	7.7
6. Finance, Ins. & Real Estate	3083	3444	3664	3987	17.8	11.7	6.4	8.8
7. Services	7183	7981	8811	9753	13.6	11.1	10.4	10.7
8. Other Industries	166	165	171	179	12.1	-0.8	4.0	4.6
9. Government	4167	4639	4985	5314	7.4	11.3	7.5	6.6
Federal Civilian	1123	1196	1297	1378	1.5	6.5	8.5	6.2
Federal Military	230	232	242	253	3.0	0.8	4.3	4.7
State & Local	2814	3211	3446	3683	10.4	14.1	7.3	6.9
Plus:								
Property Income	5776	6064	6337	6775	8.2	5.0	4.5	6.9
Transfer Payments	3411	3626	3861	4124	6.3	6.3	6.5	6.8
Residence Adjustment	-1243	-1276	-1302	-1315	5.2	2.7	2.0	1.0
Less: Social Ins. Contributions	2165	2333	2611	2843	8.2	7.8	11.9	8.9
Equals: Total Personal Income	40031	42960	45637	48947	10.1	7.3	6.2	7.3
Nonfarm Personal Income	39909	42836	45525	48824	10.1	7.3	6.3	7.2
% of Georgia Nonfarm	49.33	49.78	50.11	50.55	---	---	---	---
Population (#,Thousands)	2560	2642	2717	2781	3.57	3.20	2.84	2.36

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Economic Forecasting Center
February 1988

Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-4	87-1	87-2	87-3(r)	87-4(p)	Dec(p)	86-4	87-1	87-2	87-3(r)	87-4(p)	Dec(p)
Total	2717.9	2757.8	2746.9	2748.0	2759.8	2766.5	1360.9	1387.6	1384.6	1377.0	1385.0	1387.7
Mining	8.8	8.9	8.8	8.8	8.8	8.8	1.7	1.7	1.8	1.7	1.8	1.7
Contract Construction	162.1	164.5	155.5	154.7	158.3	160.7	83.7	85.6	79.0	77.1	78.3	78.3
Manufacturing	564.8	568.2	569.0	569.4	571.8	574.8	192.5	192.2	192.9	191.7	192.0	194.8
Durables	221.8	222.8	223.4	222.9	223.3	225.1	100.1	99.7	100.5	99.2	99.4	101.3
Lumber	34.9	35.0	34.5	34.5	34.6	34.6	5.3	5.3	5.1	5.2	5.4	5.5
Furniture	11.7	11.9	11.7	11.8	11.8	11.7	4.5	4.5	4.4	4.4	4.5	4.4
Stone, Clay, Glass	20.9	21.1	20.9	20.4	20.4	20.2	10.2	10.6	10.5	10.2	9.7	9.7
Primary Metals	15.2	15.4	15.4	15.0	15.1	15.0	6.7	6.7	6.7	6.4	6.5	6.4
Fabricated Metals	20.5	20.6	20.7	20.5	20.3	20.4	8.9	8.9	9.0	8.8	8.9	8.9
Nonelectrical Machinery	25.9	26.3	26.8	27.1	27.7	27.8	10.9	11.2	11.5	11.6	11.9	12.1
Electrical Machinery	29.0	29.7	29.7	29.6	29.2	29.1	15.1	15.2	15.5	15.3	15.1	15.1
Transportation Equipment	51.3	50.2	51.0	51.4	51.6	53.5	33.0	31.7	32.3	31.8	31.6	33.6
Other Durables	12.4	12.7	12.7	12.7	12.6	12.8	5.7	5.6	5.5	5.5	5.7	5.6
Nondurables	343.1	345.4	345.6	346.5	348.5	349.7	92.4	92.5	92.3	92.5	92.6	93.5
Food	61.0	61.4	60.5	61.0	61.7	61.9	21.9	21.7	21.8	22.0	21.8	22.3
Textiles	104.1	105.3	106.4	108.0	107.9	108.0	7.5	7.7	7.5	7.7	7.6	7.7
Apparel	69.1	69.8	69.5	68.6	68.5	69.1	12.1	12.0	11.8	11.5	11.3	11.5
Paper	31.2	31.3	31.0	30.3	31.6	31.7	9.1	9.3	9.4	9.5	9.4	9.6
Printing	37.2	37.2	37.4	37.7	38.4	38.5	23.7	23.8	23.9	24.0	24.3	24.4
Chemicals	19.0	18.7	18.5	18.7	18.7	18.6	9.9	9.8	9.6	9.7	9.9	9.8
Leather	1.3	1.2	1.3	1.3	1.3	1.3	---	---	---	---	---	---
Other Nondurables	20.3	20.6	21.0	20.8	20.3	20.6	8.3	8.3	8.4	8.2	8.2	8.2
Transportation, Comm. & Util.	167.3	169.0	170.0	170.0	171.2	171.2	109.5	110.2	111.4	112.1	113.2	113.1
Trade	684.4	700.3	695.8	695.0	691.2	688.2	377.7	388.0	388.1	386.8	384.4	382.7
Wholesale	203.1	205.4	204.5	201.8	203.0	203.5	132.6	135.8	135.6	133.4	133.9	134.7
Retail	481.3	495.0	491.3	493.2	488.2	484.7	245.1	252.2	252.5	253.3	250.5	248.0
Finance, Ins. & Real Estate	149.1	150.7	149.5	149.8	150.2	150.5	96.6	97.7	97.4	97.5	97.4	97.5
Services	523.4	532.7	533.1	531.2	540.2	543.1	315.3	323.2	323.5	323.2	326.3	327.4
Government	458.0	463.4	465.2	469.2	468.2	469.2	183.9	189.0	190.4	187.0	191.7	192.2
Federal	96.1	97.1	97.2	97.9	98.8	99.1	39.6	40.2	41.2	41.7	42.7	42.9
State and Local	361.8	366.3	368.0	371.3	369.4	370.1	144.3	148.8	149.2	145.2	149.1	149.3
State	107.3	109.0	107.8	108.5	109.2	110.5	36.4	37.2	37.6	36.9	37.3	37.0
Local	254.5	257.3	260.2	262.8	260.2	259.6	107.9	111.6	111.6	108.4	111.8	112.3

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February 1988

Table 6 Metro Atlanta Housing Permits for 1985 through 1987 with Forecasts through 1989

	1985		1986		1987		1988		1989	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	66	4	64	0	92	0	110	0	125	0
Cherokee	1632	155	2450	265	1799	17	1650	35	1830	65
Clayton	1408	1424	1559	1832	1371	1882	1450	1430	1490	1120
Cobb	5713	3003	5875	3922	4937	2816	4660	2160	4760	2030
DeKalb	2686	4302	3265	3647	2712	3269	2590	3020	2630	2650
Douglas	702	189	779	242	775	0	760	80	840	160
Fayette	692	0	822	15	907	0	940	0	1020	20
Forsyth	718	76	782	88	735	36	750	50	790	80
Fulton	3048	4143	3416	4259	3311	2625	3480	2430	3550	2360
Gwinnett	6905	4112	5728	4062	4819	436	4630	630	4690	1080
Henry	899	126	1322	164	1457	132	1490	165	1565	225
Newton	311	14	373	62	517	6	640	20	765	40
Paulding	718	0	927	6	1011	0	1050	0	1160	20
Rockdale	692	120	1075	283	971	161	870	220	940	260
Walton	286	0	343	0	489	0	600	0	710	0
Total	26476	17668	28780	18847	25903	11380	25670	10240	26865	10110
% Change From Previous Year	+22.7	-8.5	+8.7	+6.7	-10.0	-39.6	-0.9	-10.0	+4.7	-1.3
% Change in Total (single + multi)	+7.8		+7.9		-21.7		-3.7		+3.0	
Estimated Potential Absorption (000)	48.0		44.0		41.4		37.9		32.3	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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